Automobile sales decline for 12th month in a row

Brickwork Ratings, Mumbai, 11 December 2019: Domestic automobile sales fell by 12% y-o-y in the month of November 2019 largely driven by weak sales of commercial vehicles and two wheelers. Commercial vehicle sales were down by 15% and two & three wheelers sales were down by 14% y-o-y in November 2019. The weak commercial vehicle sales reflect the subdued state of industrial activity in the country and weak two wheeler sales indicate low rural demand. Commercial vehicles sales were also impacted by revised axle norms and financing issues due to NBFC crisis.

Though there was healthy growth in automobile sales in September and October on a sequential basis due to festive buying, this recovery was short lived and in November the sales again slipped in the red zone.

On the export front, there has been a growth of 18% in November 2019, which is a result of low base in November 2018, when the exports fell for the first time in last 21 months. Though, there has been a growth in overall export numbers in November 2019, commercial vehicles still registered a decline of 29% y-o-y in exports.

Commercial vehicle sales will continue to remain muted going forward. However, it might pick up in the last quarter of FY20 due to anticipated pre-buying by fleet owners before the BS-VI norm kicks in from April 2020. Though, the sales may still be lower than the previous year’s sales, but is expected to improve on month-on-month basis. Also, soon to be announced, scrappage policy might provide some support to the automobile sales recovery.

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